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EXTENDED TO NOVEMBER 15, 2017

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as Private Foundation

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Information about Form 990-PF and its separate instructions is at www.irs.gov/form990pf.

OMB No. 1545-0052

2016

Open to Public Inspection

Form 990-PF

Department of the Treasury
Internal Revenue Service

For calendar year 2016 or tax year beginning

, and ending

Name of foundation

HARRIS & ELIZA KEMPNER FUND, INC.

Number and street (or P O box number if mail is not delivered to street address)

2201 MARKET SUITE #1250

Room/suite

City or town, state or province, country, and ZIP or foreign postal code

GALVESTON, TX 77550-1529

A Employer identification number

76-0680130

B Telephone number

409-762-1603

C If exemption application is pending, check here ☐

G Check all that apply:

☐ Initial return☐ Initial return of a former public charity☐ Final return☐ Amended return☐ Address change☐ Name changeD 1. Foreign organizations, check here ☐2. Foreign organizations meeting the 85% test, check here and attach computation ☐

H Check type of organization:

☒ Section 501(c)(3) exempt private foundation☐ Section 4947(a)(1) nonexempt charitable trust☐ Other taxable private foundationE If private foundation status was terminated under section 507(b)(1)(A), check here ☐

I Fair market value of all assets at end of year

(from Part II, col (c), line 16)

\$ 47,616,813.

J Accounting method:

☒ Cash☐ Accrual☐ Other (specify)F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ☐

(Part I, column (d) must be on cash basis)

Part I Analysis of Revenue and Expenses

(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a))

(a) Revenue and expenses per books

(b) Net investment income

(c) Adjusted net income

(d) Disbursements for charitable purposes (cash basis only)

1 Contributions, gifts, grants, etc., received

N/A

2 Check ☒ if the foundation is not required to attach Sch. B

3 Interest on savings and temporary cash investments

67,759.

67,759.

STATEMENT 1

4 Dividends and interest from securities

959,829.

959,829.

STATEMENT 2

5a Gross rents

b Net rental income or (loss)

6a Net gain or (loss) from sale of assets not on line 10

1,466,636.

b Gross sales price for all assets on line 6a 18,134,393.

7 Capital gain net income (from Part IV, line 2)

1,466,636.

8 Net short-term capital gain

9 Income modifications

10a Gross sales less returns and allowances

b Less Cost of goods sold

c Gross profit or (loss)

271,480.

268,074.

STATEMENT 3

11 Other income

12 Total. Add lines 1 through 11

2,765,704.

2,762,298.

13 Compensation of officers, directors, trustees, etc

118,196.

0.

118,196.

14 Other employee salaries and wages

72,965.

0.

72,965.

15 Pension plans, employee benefits

18,927.

0.

18,927.

16a Legal fees

b Accounting fees

STMT 4

50,634.

16,500.

34,134.

c Other professional fees

STMT 5

222,129.

219,293.

2,836.

17 Interest

18 Taxes

STMT 6

54,642.

15,701.

14,735.

19 Depreciation and depletion

20 Occupancy

11,490.

0.

11,490.

21 Travel, conferences, and meetings

7,346.

0.

7,346.

22 Printing and publications

23 Other expenses

STMT 7

200,097.

126,763.

73,342.

24 Total operating and administrative expenses. Add lines 13 through 23

756,426.

378,257.

353,971.

25 Contributions, gifts, grants paid

1,954,168.

1,954,168.

26 Total expenses and disbursements. Add lines 24 and 25

2,710,594.

378,257.

2,308,139.

27 Subtract line 26 from line 12:

a Excess of revenue over expenses and disbursements

55,110.

b Net investment income (if negative, enter -0-)

2,384,041.

c Adjusted net income (if negative, enter -0-)

N/A

Part II Balance Sheets		Beginning of year		End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value	
Assets	1 Cash - non-interest-bearing	855,014.	255,520.	255,520.	
	2 Savings and temporary cash investments	2,622,515.	5,006,232.	5,006,232.	
	3 Accounts receivable ▶				
	Less: allowance for doubtful accounts ▶				
	4 Pledges receivable ▶				
	Less: allowance for doubtful accounts ▶				
	5 Grants receivable				
	6 Receivables due from officers, directors, trustees, and other disqualified persons				
	7 Other notes and loans receivable ▶ 85,349.				
	Less: allowance for doubtful accounts ▶ 0.	262,952.	85,349.	85,349.	
	8 Inventories for sale or use				
	9 Prepaid expenses and deferred charges	38,194.	44,993.	44,993.	
	10a Investments - U.S. and state government obligations STMT 9	4,654,524.	5,965,769.	5,999,698.	
	b Investments - corporate stock STMT 10	29,015,978.	26,794,991.	29,511,066.	
	c Investments - corporate bonds				
	Liabilities	11 Investments - land, buildings, and equipment basis ▶			
Less accumulated depreciation ▶					
12 Investments - mortgage loans					
13 Investments - other STMT 11		5,853,724.	6,149,813.	6,713,955.	
14 Land, buildings, and equipment basis ▶					
Less accumulated depreciation ▶					
15 Other assets (describe ▶)		33,506.	0.	0.	
16 Total assets (to be completed by all filers - see the instructions. Also, see page 1, item I)		43,336,407.	44,302,667.	47,616,813.	
17 Accounts payable and accrued expenses					
18 Grants payable					
Net Assets or Fund Balances	19 Deferred revenue				
	20 Loans from officers, directors, trustees, and other disqualified persons				
	21 Mortgages and other notes payable				
	22 Other liabilities (describe ▶)				
23 Total liabilities (add lines 17 through 22)	0.	0.			
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here and complete lines 24 through 26 and lines 30 and 31. ▶ <input type="checkbox"/>				
	24 Unrestricted				
	25 Temporarily restricted				
	26 Permanently restricted				
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. ▶ <input checked="" type="checkbox"/>				
	27 Capital stock, trust principal, or current funds	0.	0.		
	28 Paid-in or capital surplus, or land, bldg., and equipment fund	0.	0.		
	29 Retained earnings, accumulated income, endowment, or other funds	43,336,407.	44,302,667.		
30 Total net assets or fund balances	43,336,407.	44,302,667.			
31 Total liabilities and net assets/fund balances	43,336,407.	44,302,667.			

Part III Analysis of Changes in Net Assets or Fund Balances

1 Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	43,336,407.
2 Enter amount from Part I, line 27a	2	55,110.
3 Other increases not included in line 2 (itemize) ▶ SEE STATEMENT 8	3	911,150.
4 Add lines 1, 2, and 3	4	44,302,667.
5 Decreases not included in line 2 (itemize) ▶	5	0.
6 Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	44,302,667.

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.)		(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a SHORT-TERM		P		
b LONG-TERM		P		
c				
d				
e				

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a 4,547,689.		4,741,151.	-193,462.
b 13,586,704.		11,926,606.	1,660,098.
c			
d			
e			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	
a			-193,462.
b			1,660,098.
c			
d			
e			

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 }		2	1,466,636.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c). If (loss), enter -0- in Part I, line 8 }		3	N/A

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank.

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period?

☐ Yes ☒ No

If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see the instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col. (b) divided by col. (c))
2015	2,401,879.	49,002,698.	.049015
2014	2,326,121.	50,470,353.	.046089
2013	2,187,661.	44,769,476.	.048865
2012	1,965,181.	41,324,159.	.047555
2011	2,013,965.	40,602,323.	.049602

2 Total of line 1, column (d)	2	.241126
3 Average distribution ratio for the 5-year base period - divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	.048225
4 Enter the net value of noncharitable-use assets for 2016 from Part X, line 5	4	45,062,925.
5 Multiply line 4 by line 3	5	2,173,160.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	23,840.
7 Add lines 5 and 6	7	2,197,000.
8 Enter qualifying distributions from Part XII, line 4	8	2,308,139.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate.
See the Part VI instructions.

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see instructions)

1a Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1. Date of ruling or determination letter: _____ (attach copy of letter if necessary-see instructions)		
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b	1	23,840.
c All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).	2	0.
2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	3	23,840.
3 Add lines 1 and 2	4	0.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	5	23,840.
5 Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0-		
6 Credits/Payments:		
a 2016 estimated tax payments and 2015 overpayment credited to 2016	6a	67,514.
b Exempt foreign organizations - tax withheld at source	6b	
c Tax paid with application for extension of time to file (Form 8868)	6c	
d Backup withholding erroneously withheld	6d	
7 Total credits and payments. Add lines 6a through 6d	7	67,514.
8 Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached	8	
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed	9	
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	43,674.
11 Enter the amount of line 10 to be: Credited to 2017 estimated tax <input checked="" type="checkbox"/> 43,674. Refunded <input type="checkbox"/>	11	0.

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
1b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see instructions for the definition)? If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities		X
1c Did the foundation file Form 1120-POL for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. <input checked="" type="checkbox"/> \$ 0. (2) On foundation managers. <input checked="" type="checkbox"/> \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. <input checked="" type="checkbox"/> \$ 0.		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes		X
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?	X	
4b If "Yes," has it filed a tax return on Form 990-T for this year?	X	
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T.		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col (c), and Part XV	X	
8a Enter the states to which the foundation reports or with which it is registered (see instructions) <input checked="" type="checkbox"/> TX		
b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? If "No," attach explanation	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2016 or the taxable year beginning in 2016 (see instructions for Part XIV)? If "Yes," complete Part XIV		X
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses		X

Part VII-A Statements Regarding Activities (continued)

	Yes	No
11 At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	11	X
12 Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If "Yes," attach statement (see instructions)	12	X
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ► <u>WWW.KEMPNERFUND.ORG</u>	13	X
14 The books are in care of ► <u>ANNE BRASIER</u> Telephone no. ► <u>409-762-1603</u> Located at ► <u>2201 MARKET STREET SUITE 1250, GALVESTON, TX</u> ZIP+4 ► <u>77550-1529</u>		
15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the year	15	N/A
16 At any time during calendar year 2016, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If "Yes," enter the name of the foreign country ►	16	X

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

	Yes	No
1a During the year did the foundation (either directly or indirectly): (1) Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see instructions)? Organizations relying on a current notice regarding disaster assistance check here	N/A	1b
c Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2016?	1c	X
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)): a At the end of tax year 2016, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2016? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," list the years ►		
b Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see instructions.)	N/A	2b
c If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ►		
3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b If "Yes," did it have excess business holdings in 2016 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969; (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2016)	N/A	3b
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	X
b Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2016?	4b	X

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Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required (continued)

5a During the year did the foundation pay or incur any amount to:

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?

☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?

☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes?

☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 4945(d)(4)(A)? (see instructions)

☐ Yes ☒ No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?

☐ Yes ☒ No

b If any answer is "Yes" to 5a(1)-(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)?

N/A

5b

Organizations relying on a current notice regarding disaster assistance check here

☒

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant?

N/A

☐ Yes ☐ No

If "Yes," attach the statement required by Regulations section 53.4945-5(d).

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

☐ Yes ☒ No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

6b

If "Yes" to 6b, file Form 8870.

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?

☐ Yes ☒ No

b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction?

N/A

7b

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation.

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
SEE STATEMENT 12		118,196.	11,703.	0.

2 Compensation of five highest-paid employees (other than those included on line 1). If none, enter "NONE."

(a) Name and address of each employee paid more than \$50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
HARRETTE M HOWARD - 2201 MARKET SUITE 1250, GALVESTON, TX 77550	GRANTS ADMINISTRATOR 40.00	72,208.	7,224.	0.

Total number of other employees paid over \$50,000

0

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Part VIII**Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors** (continued)**3 Five highest-paid independent contractors for professional services. If none, enter "NONE."**

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
KEMPNER CAPITAL MANAGEMENT 2201 MARKET 12TH FLOOR, GALVESTON, TX 77550	PORTFOLIO MANAG	63,699.
WESTEND ADVISORS 4064 COLONY RD #130, CHARLOTTE, NC 28211	PORTFOLIO MANAG	56,397.
NEUBERGER BERMAN 1980 POST OAK BLVD #2125, HOUSTON, TX 77056	PORTFOLIO MANAG	52,129.

Total number of others receiving over \$50,000 for professional services

0

Part IX-A**Summary of Direct Charitable Activities**

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.

	Expenses
1 N/A	
2	
3	
4	

Part IX-B**Summary of Program-Related Investments**

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.

	Amount
1 N/A	
2	
3 All other program-related investments. See instructions.	

Total. Add lines 1 through 3

0.

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Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see instructions.)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:		
a	Average monthly fair market value of securities	1a	41,022,790.
b	Average of monthly cash balances	1b	4,726,372.
c	Fair market value of all other assets	1c	
d	Total (add lines 1a, b, and c)	1d	45,749,162.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	0.
2	Acquisition indebtedness applicable to line 1 assets	2	0.
3	Subtract line 2 from line 1d	3	45,749,162.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	686,237.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	45,062,925.
6	Minimum investment return. Enter 5% of line 5	6	2,253,146.

Part XI Distributable Amount (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ☐ and do not complete this part.)

1	Minimum investment return from Part X, line 6	1	2,253,146.
2a	Tax on investment income for 2016 from Part VI, line 5	2a	23,840.
b	Income tax for 2016. (This does not include the tax from Part VI.)	2b	361.
c	Add lines 2a and 2b	2c	24,201.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	2,228,945.
4	Recoveries of amounts treated as qualifying distributions	4	0.
5	Add lines 3 and 4	5	2,228,945.
6	Deduction from distributable amount (see instructions)	6	0.
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	2,228,945.

Part XII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:		
a	Expenses, contributions, gifts, etc. - total from Part I, column (d), line 26	1a	2,308,139.
b	Program-related investments - total from Part IX-B	1b	0.
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	2,308,139.
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b	5	23,840.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	2,284,299.

Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.

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Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2015	(c) 2015	(d) 2016
1 Distributable amount for 2016 from Part XI, line 7				2,228,945.
2 Undistributed income, if any, as of the end of 2016				
a Enter amount for 2015 only			0.	
b Total for prior years:		0.		
3 Excess distributions carryover, if any, to 2016:				
a From 2011	12,533.			
b From 2012				
c From 2013	24,248.			
d From 2014				
e From 2015				
f Total of lines 3a through e	36,781.			
4 Qualifying distributions for 2016 from Part XII, line 4: ► \$ 2,308,139.				
a Applied to 2015, but not more than line 2a			0.	
b Applied to undistributed income of prior years (Election required - see instructions)		0.		
c Treated as distributions out of corpus (Election required - see instructions)	0.			
d Applied to 2016 distributable amount				2,228,945.
e Remaining amount distributed out of corpus	79,194.			
5 Excess distributions carryover applied to 2016 (If an amount appears in column (d), the same amount must be shown in column (a))	0.			0.
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	115,975.			
b Prior years' undistributed income. Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b. Taxable amount - see instructions		0.		
e Undistributed income for 2015. Subtract line 4a from line 2a. Taxable amount - see instr.			0.	
f Undistributed income for 2016. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2017				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (Election may be required - see instructions)	0.			
8 Excess distributions carryover from 2011 not applied on line 5 or line 7	12,533.			
9 Excess distributions carryover to 2017. Subtract lines 7 and 8 from line 6a	103,442.			
10 Analysis of line 9:				
a Excess from 2012				
b Excess from 2013	24,248.			
c Excess from 2014				
d Excess from 2015				
e Excess from 2016	79,194.			

Part XV **Supplementary Information** (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment				
Recipient	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
Name and address (home or business)				
a Paid during the year				
VARIOUS- ALL RECIPIENTS 501(C)(3) VARIOUS GALVESTON, TX 77550	NONE	501(C)(3)	SEE SCHEDULE 1 - ATTACHED	1,954,168.
Total			3a	1,954,168.
b Approved for future payment				
NONE				
Total			3b	0.

FORM 990-PF INTEREST ON SAVINGS AND TEMPORARY CASH INVESTMENTS STATEMENT 1

SOURCE	(A) REVENUE PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME
INTEREST INCOME	67,759.	67,759.	
TOTAL TO PART I, LINE 3	67,759.	67,759.	

FORM 990-PF DIVIDENDS AND INTEREST FROM SECURITIES STATEMENT 2

SOURCE	GROSS AMOUNT	CAPITAL GAINS DIVIDENDS	(A) REVENUE PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME
DIVIDEND INCOME	959,829.	0.	959,829.	959,829.	
TO PART I, LINE 4	959,829.	0.	959,829.	959,829.	

FORM 990-PF OTHER INCOME STATEMENT 3

DESCRIPTION	(A) REVENUE PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME
ROYALTIES	69,119.	69,119.	
OTHER INC	143,447.	143,447.	
K-1 PORTFOLIO INC/LOSS	1,693.	1,693.	
BLACKSTONE MINERALS CO K-1	10,354.	10,354.	
BLACKSTONE MINERALS LP K-1	11,580.	8,174.	
GALVESTON FINALE	10,045.	10,045.	
EXCHANGES/SPIN-OFFS	25,147.	25,147.	
LITIGATION INCOME	95.	95.	
TOTAL TO FORM 990-PF, PART I, LINE 11	271,480.	268,074.	

FORM 990-PF	ACCOUNTING FEES			STATEMENT 4
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
ANNUAL AUDIT	16,500.	16,500.		0.
ACCOUNTING & TAX PREP	34,134.	0.		34,134.
TO FORM 990-PF, PG 1, LN 16B	50,634.	16,500.		34,134.

FORM 990-PF	OTHER PROFESSIONAL FEES			STATEMENT 5
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
PENSION ADMIN	2,836.	0.		2,836.
FROST BANK - CUSTODIAL FEES	484.	484.		0.
KEMPNER CAPITAL MGMT - PORTFOLIO MGN	63,699.	63,699.		0.
NEUBERGER BERMAN - PORTFOLIO MGN	52,129.	52,129.		0.
WESTEND ADVISORS - PORTFOLIO MGN	56,397.	56,397.		0.
CLEARBRIDGE - PORTFOLIO MGN	38,327.	38,327.		0.
BRECKINRIDGE - PORTFOLIO MGN	8,257.	8,257.		0.
TO FORM 990-PF, PG 1, LN 16C	222,129.	219,293.		2,836.

FORM 990-PF	TAXES			STATEMENT 6
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
EXCISE & UBIT TAXES	24,206.	0.		0.
FOREIGN TAXES ON SECURITIES	15,701.	15,701.		0.
PAYROLL TAXES	14,735.	0.		14,735.
TO FORM 990-PF, PG 1, LN 18	54,642.	15,701.		14,735.

FORM 990-PF	OTHER EXPENSES			STATEMENT	7
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES	
COMPUTER SOFTWARE & SERVICES	9,168.	0.		9,168.	
ENTERTAINMENT	1,606.	0.		1,606.	
INSURANCE	41,557.	0.		41,557.	
KEMPNER PAPER PRESERVATION	2,491.	0.		2,491.	
LEASED OFFICE EQUIPMENT	3,269.	0.		3,269.	
MEMBERSHIP FEES	4,867.	0.		4,867.	
MISCELLANEOUS	310.	0.		318.	
OFFICE EQUIPMENT/FURNITURE	365.	0.		365.	
OFFICE SUPPLIES	1,416.	0.		1,416.	
OTHER INVESTMENT EXPENSE					
K-1'S	111,843.	111,843.		0.	
PARKING	1,328.	0.		1,328.	
REGISTRATION FEES	6,788.	0.		6,788.	
OTHER INVESTMENT EXPENSE (UBS)	14,920.	14,920.		0.	
SUBSCRIPTIONS AND PRINTED MATERIAL	169.	0.		169.	
TO FORM 990-PF, PG 1, LN 23	200,097.	126,763.		73,342.	

FORM 990-PF	OTHER INCREASES IN NET ASSETS OR FUND BALANCES			STATEMENT	8
DESCRIPTION	AMOUNT				
UNREALIZED GAIN ON SECURITIES (K-1)	911,134.				
PRIOR PERIOD ADJ	16.				
TOTAL TO FORM 990-PF, PART III, LINE 3	911,150.				

FORM 990-PF	U.S. AND STATE/CITY GOVERNMENT OBLIGATIONS	STATEMENT	9
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DESCRIPTION	U.S. GOV'T	OTHER GOV'T	BOOK VALUE	FAIR MARKET VALUE
US GOVT & FIXED INCOME BONDS	X		5,965,769.	5,999,698.
TOTAL U.S. GOVERNMENT OBLIGATIONS			5,965,769.	5,999,698.
TOTAL STATE AND MUNICIPAL GOVERNMENT OBLIGATIONS				
TOTAL TO FORM 990-PF, PART II, LINE 10A			5,965,769.	5,999,698.

FORM 990-PF	CORPORATE STOCK	STATEMENT	10
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DESCRIPTION	BOOK VALUE	FAIR MARKET VALUE
CORPORATE STOCKS	26,794,991.	29,511,066.
TOTAL TO FORM 990-PF, PART II, LINE 10B	26,794,991.	29,511,066.

FORM 990-PF	OTHER INVESTMENTS	STATEMENT	11
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DESCRIPTION	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
OTHER INVESTMENTS	FMV	6,149,813.	6,713,955.
TOTAL TO FORM 990-PF, PART II, LINE 13		6,149,813.	6,713,955.

FORM 990-PF	PART VIII - LIST OF OFFICERS, DIRECTORS TRUSTEES AND FOUNDATION MANAGERS	STATEMENT 12
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NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
ANNE BRASIER 2201 MARKET SUITE 1250 GALVESTON, TX 77550	EXECUTIVE DIRECTOR 40.00	118,196.	11,703.	0.
ARMIN CANTINI 2201 MARKET SUITE 1250 GALVESTON, TX 77550	SECRETARY 4.00	0.	0.	0.
ROBERT L K LYNCH 2201 MARKET SUITE 1250 GALVESTON, TX 77550	PRESIDENT 10.00	0.	0.	0.
BARBARA W SASSER 2201 MARKET SUITE 1250 GALVESTON, TX 77550	HON DIRECTOR 4.00	0.	0.	0.
VICTORIA MARCHAND 2201 MARKET SUITE 1250 GALVESTON, TX 77550	DIRECTOR 4.00	0.	0.	0.
DANIEL K THORNE 2201 MARKET SUITE 1250 GALVESTON, TX 77550	VICE PRESIDENT 4.00	0.	0.	0.
RANDALL T KEMPNER 2201 MARKET SUITE 1250 GALVESTON, TX 77550	TREASURER 4.00	0.	0.	0.
LISA ALLEN 2201 MARKET SUITE 1250 GALVESTON, TX 77550	DIRECTOR 4.00	0.	0.	0.
ANDY MYTELKA 2201 MARKET SUITE 1250 GALVESTON, TX 77550	DIRECTOR 4.00	0.	0.	0.
BROOKE THOMPSON 2201 MARKET SUITE 1250 GALVESTON, TX 77550	DIRECTOR 4.00	0.	0.	0.
CAROL ROBERTS 2201 MARKET SUITE 1250 GALVESTON, TX 77550	DIRECTOR 4.00	0.	0.	0.

CARROLL GOLDSTONE	DIRECTOR			
2201 MARKET SUITE 1250	4.00	0.	0.	0.
GALVESTON, TX 77550				

HETTA T KEMPNER	DIRECTOR			
2201 MARKET SUITE 1250	4.00	0.	0.	0.
GALVESTON, TX 77550				

TOTALS INCLUDED ON 990-PF, PAGE 6, PART VIII		118,196.	11,703.	0.
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FORM 990-PF	OTHER REVENUE	STATEMENT	13
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DESCRIPTION	BUS CODE	UNRELATED BUSINESS INC	EXCL CODE	EXCLUDED AMOUNT	RELATED OR EXEMPT FUNC- TION INCOME
OTHER INC			01	143,447.	
K-1 PORTFOLIO INC/LOSS			14	1,693.	
BLACKSTONE MINERALS CO					
K-1			14	10,354.	
BLACKSTONE MINERALS LP	211110				
K-1		3,406.	14	8,174.	
GALVESTON FINALE			14	10,045.	
EXCHANGES/SPIN-OFFS			14	25,147.	
LITIGATION INCOME			01	95.	
TOTAL TO FORM 990-PF, PG 12, LN 11		3,406.		198,955.	